

No. 15,087

IN THE

United States Court of Appeals
For the Ninth Circuit

SUN-MAID RAISIN GROWERS OF CALI-
FORNIA, a Corporation,

Appellant,

VS.

CALIFORNIA PACKING CORPORATION, a
Corporation,

Appellee.

OPENING BRIEF FOR APPELLANT SUN-MAID.

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OPENING BRIEF FOR APPELLANT SUN-MAID.

INTRODUCTION.

This is an appeal from an order dismissing defendant's motion to dissolve an injunction. The order was entered in the United States District Court for the Southern District of California on January 31, 1956. The injunction sought to be dissolved was granted by the District Court nearly twenty years ago on June 15, 1936 against defendant-appellant, Sun-Maid Raisin Growers of California.

JURISDICTION.

Jurisdiction in the District Court was present because it issued the injunction sought to be dissolved,

United States v. Swift and Co., et al. (1932), 286 U.S. 106; 52 S.Ct. 460.

This court has appellate jurisdiction under 28 U.S.C. Section 1291 and 28 U.S.C. Section 1292 (1) and under *Jackson v. Heiser* (C.A. 9th, 1940), 111 F.2d 310.

STATEMENT OF THE CASE.

1. History.

The injunction (R 5-6) was issued as the result of a suit by plaintiff,* California Packing Corporation, charging infringement by defendant of plaintiff's trademark SUN-KIST. Such alleged infringement was based on use by defendant of the trademark SUN-MAID.

After trial of the case, the United States District Court held that plaintiff was not entitled to the injunction, *California Packing Corporation v. Sun-Maid Raisin Growers of California*, 7 F.Supp. 497. Upon appeal the decision was reversed by this court, *California Packing Corporation v. Sun-Maid Raisin Growers of California*, 81 F.2d 674, and the injunction was issued by the District Court.

2. The Law of the Case.

Although this suit was originally based on an alleged confusing similarity between the trademarks SUN-KIST and SUN-MAID the trial court found no confusing similarity existed (7 F.Supp. 497), a

*For convenience the parties will be referred to herein as plaintiff and defendant.

finding that was not disturbed by the Court of Appeals (81 F.2d 674). Instead, this court decreed the issuance of the injunction because of the existence of a contract dated March 10, 1917, between the predecessors of the parties by which the use of the trademark SUN-MAID was restricted to raisins and raisin products.

Thus, the issue of confusing similarity is not present in this appeal having been previously disposed of adversely to plaintiff.

The contract of March 10, 1917 (R 9-15) is clearly analyzed by Judge Wilbur in *California Packing Corporation v. Sun-Maid Raisin Growers of California*, 81 F.2d 674.

Although the present defendant obtained the SUN-MAID trademark through a bankruptcy proceeding without knowledge of the contract of March 10, 1917, the law of this case is that defendant was nevertheless bound by the restrictions in the contract limiting the use of the SUN-MAID trademark to raisins and raisin products.

3. The Motion to Dissolve the Injunction.

The present motion to dissolve the injunction was brought on the ground that changed conditions arising since the issuance of the injunction make prospective application of the injunction unfair to defendant and of no benefit to plaintiffs. Defendant's reasons for urging dissolution may be summarized as follows:

(a) On September 20, 1950, plaintiff assigned all of its interest in the trademark SUN-KIST together

with the goodwill of the business connected therewith (R 44). Since the injunction was issued for the purpose of protecting plaintiff's interest in the SUN-KIST trademark, no legitimate reason now exists for the enforcement of restrictions imposed by the injunction.

(b) The injunction has, by changed conditions, been perverted and now constitutes a means for enforcing an illegal contract and restraining trade in violation of state and federal antitrust laws.

(c) California Fruit Growers Exchange, assignee of the SUN-KIST trademark, has waived any benefit under the contract of March 10, 1917, and has assumed a neutral position.

Defendant therefore contends in this appeal that:

1. The District Court erred in not granting defendant's Motion to Dissolve Injunction, dated December 14, 1954.
2. The District Court erred in holding that prior permission of the Court of Appeals was required to bring the Motion to Dissolve Injunction in the District Court.

ARGUMENT.

1. THE PROCEDURAL QUESTION.

Before considering the merits of the case the procedural question should first be disposed of to bring into focus the questions actually before this court.

The order appealed from is based on a Memorandum for Order, dated January 20, 1956 (R 18-19) in which the District Court denied defendant's motion without prejudice on the purely procedural ground that prior permission of the Court of Appeals should have been obtained before bringing the motion in the District Court. The reason given for this holding was that the injunction now sought to be dissolved issued from the District Court pursuant to a mandate from the Court of Appeals. It is defendant's contention here that no such prior permission is required under the facts of this case but this question may now have become moot because such permission is now hereby requested.

In the interest of eliminating duplication of effort defendant submits that this court should dispose of the entire matter and avoid referring any phases of the case back to the District Court.

A. Prior Permission of Court of Appeals Not Required.

Despite the fact that this court may consider the point moot, the following argument is offered in support of defendant's contention that prior permission of the Court of Appeals was not required to bring the motion in the District Court.

Rule 60(b) of the Federal Rules of Civil Procedure reads in part as follows:

“On motion and upon such terms as are just, the court may relieve a party or his legal representative from a final judgment, order, or proceeding for the following reasons: . . .

- (5) The judgment has been satisfied, released, or discharged, or a prior judg-

ment upon which it is based has been reversed or otherwise vacated, *or it is no longer equitable that the judgment should have prospective application.*"

Judge Clark, the Reporter to the Supreme Court Advisory Committee establishing the rule* explains it in *S. C. Johnson & Son, Inc. v. Johnson, et al.*, (C.A. 2d, 1949) 175 F.2d 176, as follows (page 184):

"Not only does this not call for appellate permission when a case has been affirmed on appeal, but it is obvious that such permission is an unnecessary and undesirable clog on the proceedings. An appellate court cannot act understandingly under F.R. 60(b) without the necessary record which the proceedings in the trial court must supply. To expect it to grant or withhold permission in advance is a futility and an obstruction. The rules themselves quite carefully show when, if ever, appellate permission is to be sought. See F.R. 60(a) as amended and compare also amended F.R. 73(a) and 75(h)."

Nevertheless some courts have admittedly required, in some instances, prior permission of the appellate court including the Court of Appeals for the third circuit from which circuit the case of *Butcher & Sherard v. Welsh* (CA 3d, 1953), 206 F.2d 259, 262 was relied on by the District Court.

*It is of interest to note that the Advisory Committee on Rules of Civil Procedure has proposed revision of Rule 60(b) so that leave of the Appellate Court is expressly obviated in the instant situation (18 F.R.D. Appendix page 40).

That the instant case clearly distinguishes from the *Butcher* case is pointed out in *Moore's Federal Practice* Volume 7, page 339, as follows:

“At times a motion for relief will not raise matters that are within the compass of the mandate, and in that event the district court clearly has the power to proceed with the 60(b) motion without leave of the appellate court. But where the action which the district court is asked to take under 60(b) would disturb the judgment which the appellate court's mandate ordered, *or would otherwise be inconsistent with the mandate*, the general doctrine is that the district court lacks power to proceed with the motion unless and until leave is granted by the appropriate appellate court.” (Citing cases, including the *Butcher* case.)

Thus, in the instant case, the sale of the trademark SUN-KIST, which is the fact giving rise to defendant's right to relief from the injunction, did not occur until fourteen years *after* this appellate court held that the injunction should issue. Obviously this subsequent happening could not possibly be “within the compass of the mandate”.

In other words, defendant is not urging that the injunction should not have been issued, but rather that it should have no prospective effect. The power to modify the injunction always remained in the District Court, *United States v. Swift & Co.*, 286 U.S. 106; 52 S.Ct. 460 (462).

2. THE INJUNCTION.

A. Plaintiff Is No Longer Entitled to Injunction.

The injunction sought to be dissolved was issued for the sole purpose of protecting plaintiff's interest in the trademark SUN-KIST. Thus, as stated in Judge Wilbur's opinion in *California Packing Corporation v. Sun-Maid Raisin Growers of California*, 81 F.2d 674, 676:

"The controversy was first brought to the attention of the courts on June 21, 1915, by an action begun by J. K. Armsby Company, appellant's predecessor, against the California Associated Raisin Company, appellee's predecessor, wherein J. K. Armsby sought to enjoin the use of the trademark 'Sun-Maid' on raisins because of its prior use of the term 'Sun-Kist' for the same purpose. *The parties settled that litigation by contract dated March 10, 1917.*"

If, at the time the injunction was sought, the SUN-KIST trademark had been abandoned by plaintiff, there would have been no interest to protect by injunction and no court of equity would ever have provided such an extraordinary remedy. Plaintiff has now completely abandoned the trademark SUN-KIST and has, therefore, no protectible interest insofar as the injunction is concerned.

An injunction is a remedy, not a cause of action, and should not be granted or continued in effect if no cause of action exists. The contract of March 10, 1917 (R 9-15) could not be enforced at this time by plaintiff and therefore the injunction supporting said

contract should not be perpetuated. An injunction looks to the future (*Douglas v. City of Jeanette*, 319 U.S. 157; 63 S.Ct. 877), and should therefore be dissolved if its past justification ceases to exist.

B. Injunction Should Be Dissolved When Changed Conditions Render It Inequitable to Defendant.

Particularly pertinent to this motion is the case of *Coca-Cola Co. v. Standard Bottling Co.*, (CA 10th, 1943) 138 F.2d 788, in which an injunction against the defendant, prohibiting its use of the word "cola" on any beverage, was modified about sixteen years after the decree when it appeared that plaintiff in the original case no longer had any exclusive right to the word "cola".

In the instant case, plaintiff has abandoned the use of the trademark SUN-KIST and no longer has any right to use it. By the reasoning of the *Coca-Cola* case the injunction should therefore be dissolved.

Furthermore, a trademark owner abandons a mark by transferring it to an assignee. *Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689; 43 S.Ct. 244 (1923); *Schenley Distilling Co. v. Schenley Distillers Corp.*, D.C.S.D. N.Y., 1948) 78 USPQ 192. This is so even if the attempted transfer is invalid. *La Fayette Brewery, Inc. v. Rock Island Brewing Co.*, (C.C.P.A., 1937) 87 F.2d 489. Such abandonment involves the "loss not only of the right to exclude others, but also of the prior appropriator's right to use the name in trade". *Lawyers Title Ins. Co. v. Lawyers Title Ins. Corp.*, (C.A.D.C., 1939) 109 F.2d 35, 45 (footnote 47).

Therefore, the transferor (plaintiff) has no enforceable interest in either the injunction or the contract between predecessors of plaintiff and defendant and no reason for the continuance of the injunction exists.

C. Injunction Merely Injures Defendant With No Legitimate Benefit to Plaintiff.

Plaintiff, no longer owning or using the subject matter for the protection of which the injunction was granted, will achieve no further benefit from the injunction. On the other hand, defendant, being restricted in its use of the trademark SUN-MAID is injured and is threatened by greater injury in that it cannot expand the use of its own trademark. Furthermore, defendant is hindered in preventing unauthorized use of its own name SUN-MAID by others on food products because its use is circumscribed by the injunction. Continuation of the injunction under present circumstances prevents defendant from selling nonraisin products under its trademark in competition with plaintiff who now owns no conflicting trademarks.

Under these circumstances, where there is no legitimate benefit to plaintiff and only oppression on defendant, the courts have uniformly refused to grant injunctions.

The rule is stated in *Leonardo v. Leonardo*, (C.A. D.C., 1944) 145 F.2d 849 as follows:

“ . . . a mandatory injunction should be denied when its issuance will cause injury to the defendant and no benefit or very little benefit to the plaintiff.”

And in *Gassard Breeding Estates v. Texas Co.*, (D.C. Colo., 1946) 76 F.Supp. 20, the following pertinent statement is found:

“And where an injunction may seriously affect the interests of the defendants, and would be of no advantage to the plaintiffs, the court in the exercise of judicial discretion—which it is bound to exercise—may properly refuse to grant the injunction.”

D. The Injunction Has Become an Illegal Restraint of Trade.

A contract by which a party is bound not to compete in specified fields is an illegal restraint of trade unless the covenant not to compete is “ancillary to the main purpose of a lawful contract”, *United States v. Addyston Pipe & Steel Co.*, (CCA 6th, 1898) 85 F. 271.

In the *Addyston* case the above principle is explained in the light of its now prevailing exceptions. For example, as stated in the *Addyston* case, a contract by which a vendor of a business promises not to compete with his vendee is a typical exception to the general rule and is justified by the fact that such a contract promotes the free purchase and sale of property.

Likewise, the contract of March 10, 1917 (R 9-15), which we are concerned with here, would have been an illegal restraint on the business activity of the covenantor had it not been for the fact the contract was based on the alleged confusing similarity of the trademarks SUN-KIST and SUN-MAID. In other words the proprietary protection afforded the owner of the SUN-KIST trademark was the “main purpose”

of that contract. The covenant by defendant's predecessor to restrict the use of the SUN-MAID trademark to certain specified goods was therefore "merely ancillary to the main purpose of a lawful contract".

Had the "main purpose" (the SUN-KIST trademark) not been present at the time the contract was entered into, the covenant not to compete would have been illegal and unenforceable from the start. Now that the trademark SUN-KIST has been abandoned by the covenantee the "main purpose" of the contract ceases to exist and the covenant, standing by itself, becomes an illegal restraint per se.

The reason for the remedy having ceased to exist, the injunction has been perverted to lend color of legality to an otherwise illegal covenant preventing competition between the parties.

The plaintiff has urged, in the District Court, that a legitimate purpose still exists for the injunction because it obviates confusion by the public between the SUN-MAID and SUN-KIST trademarks. This argument overlooks the law of this case which is that there is no confusing similarity between the two trademarks.

E. Benefit Now Accruing to Defendant Is Unconscionable.

Defendant admits that plaintiff presently benefits from this injunction but contends that the benefit accruing was neither contemplated by the parties to the contract of March 10, 1917 nor is it conscionable in view of the detriment now suffered by defendant.

The injunction obviously eliminates defendant as a competitor to plaintiff except for the sale of raisins and raisin products, but the contract was for the pur-

pose of protecting the SUN-KIST trademark, not to keep defendant out of the grocery business. Having sold the trademark SUN-KIST for \$1,250,000 to California Fruit Growers Exchange (R 41-49) plaintiff now wishes to reap another million dollars worth of benefit by retaining the power of the injunction to stifle defendant's operations. This is indeed a perversion of legal process.

Just as there can be no assignment of a trademark in gross there cannot be a remedy apart from the cause of action that justifies it. Plaintiff has abandoned the trademark SUN-KIST and now seeks to perpetuate a remedy designed to protect it.

Plaintiff not only divested itself of the trademark SUN-KIST but also "the goodwill of the business of Calpack connected with the use of and symbolized by the mark" (R 44).

Plaintiff, however, has urged before the District Court that some sort of residuum of interest remains so that plaintiff must now guard against use of the trademark in a manner unfavorable to plaintiff. Thus, not only would plaintiff sell the cause of action and retain the remedy but it would also sell its trademark and retain the associated goodwill.

This "have your cake and eat it" theory smacks of the same "hocus-pocus" condemned by Judge Minton of the Court of Appeals for the Third Circuit in *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F.2d 971. In that case the present plaintiff and its assignee sought to divide the good will of the **Sunkist** and SUN-KIST trademarks between themselves by the contract on pages 50 to 52 of the record

in this case. Judge Minton's impression of this chicanery is expressed as follows (166 F.2d 975):

“We are supposed to believe that when a customer bought fruits or vegetables under the name ‘Sunkist’, he was not confused as to whether the fruit came from the California Fruit Growers Exchange or the vegetables from the California Packing Corporation; but if he bought a loaf of bread under the name ‘Sunkist’, he was likely to think he bought it from one or the other of the plaintiffs because they sold fruits and vegetables, but never bread. With the plaintiffs practicing such hocus-pocus with the trade-name ‘Sunkist’, we shall ask to be excused when we are admonished by these dividers of confusion by contract to hear their vice president and advertising manager shout confusion on behalf of the purchasing public.”

The “hocus-pocus” still continues, however, with the plaintiff contending, despite its abandonment of the trademark SUN-KIST, that it still retains the associated goodwill, and, despite its loss of a cause of action it can use the defensive remedy as an offensive weapon to enjoin defendant's operations.

Clearly plaintiff's previous conduct has disqualified it from any further equitable relief.

F. Present Owner of SUN-KIST Trademark.

In view of the District Court's suggestion (R 18) of the “possibility that California Fruit Growers Exchange, as successor in interest of plaintiff, may be a necessary, or an indispensable party to any modification proceedings” the status of the assignee of the SUN-KIST trademark should be considered.

At the outset it is important to note that California Fruit Growers Exchange (now Sunkist Growers, Inc.) does not and never has used the trademark SUN-KIST (hyphenated). Its trademark is "**Sunkist**" (unhyphenated) which it has employed since long prior to October, 1915 (R 52).

Exchange was not a party to the litigation that resulted in issuance of the injunction. If there was any confusing similarity between SUN-MAID and "**Sunkist**", Exchange did not seek to establish it and no remedy for the protection of "**Sunkist**" has been made available to it.

Exchange was not a party to the contract of March 10, 1917, and there is nothing in the record indicating that it is an assignee of said contract.

Exchange, however, had notice of these proceedings and informed defendant that the dissolution of this injunction was a matter "to be resolved between defendant and plaintiff, and that it desired neither to consent or object thereto" (R-17). Such neutrality is unfair to defendant and is not consistent with the position of one who requires the extraordinary remedy of injunction to protect a valued trademark.

In other words, Exchange has nothing more now than it had before the assignment except it has obtained freedom from suit by plaintiff herein. The abandonment of the trademark SUN-KIST may well be worth the consideration paid for it in view of the stigma attached to the agreement of October 7, 1915, between Exchange and plaintiff and which agreement is of dubious legality in view of the "hocus-pocus" practiced through it. However, though assignment of

the SUN-KIST trademark (R 41-49) purports to convey the trademark to Exchange for its own use, Exchange has not in fact used SUN-KIST and has therefore abandoned any right to use it. For the \$1,250,000 paid to plaintiff, Exchange obtained merely a covenant not to sue from plaintiff, and thereby became entitled to unrestricted use of the "**Sunkist**" trademark free from the restrictions of the agreement of October 7, 1915 (R 50-52).

Since the question of confusing similarity between SUN-KIST and SUN-MAID is not involved in this case there are no rights residing in Exchange that are in any way affected by the dissolution of the injunction now before this court. Exchange is therefore not a proper party to this proceeding.

CONCLUSION.

It is earnestly urged that the injunction dated June 15, 1936 issued pursuant to the mandate of this court should be dissolved by this court forthwith without further proceedings in the District Court.

Dated, San Francisco, California,
June 8, 1956.

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